



The County of El Dorado

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May 27, 2022

The Honorable Board of Supervisors
330 Fair Lane
Placerville, CA 95667

Honorable Members of the Board of Supervisors:

With this letter, I submit for your consideration the Fiscal Year (FY) 2022-23 Recommended Budget for El Dorado County. A public budget hearing is scheduled for June 7, 2022, to consider the recommended spending plan, at which time the Board may make any additions, deletions or modifications to the Recommended Budget.

The total Recommended Budget for all Governmental Funds for FY 2022-23 is \$864.9 million, which is \$93.1 million (12%) more than the FY 2021-22 Adopted Budget of \$771.8 million. It should be noted these totals reflect all Governmental Funds, including Special Revenue Funds.

Total General Fund appropriations are recommended at \$397.6 million, which is \$27.1 million (7%) more than the FY 2021-22 Adopted Budget of \$370.5 million approved by the Board in September 2021.

As a result of the efforts of your staff, the budget is balanced, meets State requirements, and fully funds the General Fund Contingency (\$16.3 million) and General Reserves (\$10.75 million). In addition, the recommended budget meets the Board's new policy goals of contributing \$6 million to the Designation for Capital Projects, and it exceeds the policy goal of contributing \$5 million of discretionary revenues to road maintenance by \$2 million, for a total contribution to road maintenance and snow removal services of \$7.95 million.

In addition, based on prior Board direction the recommended budget includes the following priorities:

- Allocates \$3.9 million for the Sheriff's helicopter program, including \$800,000 in ongoing operational costs, funded by \$400,000 from Transient Occupancy Tax revenue and \$400,000 from the General Fund.
- Sets aside \$2.9 million for future CalPERS cost increases.
- Sets aside \$2.15 million for the FY 2023-24 Public Safety Facility loan payment.
- Allocates \$1 million for the Diamond Springs Sports complex and \$250,000 for the Chili Bar park project.

- Allocates \$2.5 million to support one-time costs for local fire districts.
- \$300,000 to establish the Office of Wildfire Preparedness & Resilience
- Sets aside an additional \$9.8 million in contingency to address future, unknown cost increases relative to inflation and economic uncertainty.
- \$20 million in federal revenue and expenditures to begin construction of the Mosquito Bridge.

Budget Approach

The recommended budget before you has been developed using the following criteria:

- Compliance with State-mandated programs and services
- Compliance with Board policies
- Consistency with the Strategic Plan and Board-identified priorities and direction provided on April 25, 2022
- Conservative but realistic revenue and expenditure projections
- Preparing for the impacts of the future-year commitments and requirements
- Consideration of service level and system-wide impacts
- Pursuing and maximizing efficiencies
- Investment in employee compensation to improve retention and recruitment
- Investment in additional staff to ensure delivery of services to the public

Budget Outlook

Due to the Board's adherence to your fiscal and budget policies that have been developed over the past six years, as well as much higher than anticipated discretionary revenues and federal funding associated with the CARES Act and American Rescue Plan, the County's General Fund is in a strong position. However, the Board should be aware of the following comments from the Legislative Analyst's Office relative to the Governor's proposed budget, which can be applied to local government:

- *"Given the persistent strength in state tax collections, it may come as a surprise that California's General Fund likely faces a budget problem in the coming years."*
- *"Throughout the past year, inflation has accelerated faster than the consensus forecast anticipated. Now at 40-year highs, the Federal Reserve has embarked on a cycle of tightening monetary policy intended to cool inflation. Put more plainly, the Federal Reserve is attempting to reduce inflation by orchestrating an intentional slowdown in economic growth. Ideally, the slowdown would bring down inflation without a substantial increase in unemployment or causing a recession. History suggests that this is a daunting task, however, and at least raises the odds of a recession."*

While the County has done an outstanding job in increasing reserves, those reserves are not nearly sufficient to meet all of our current demands related to the deferred maintenance and replacement costs of County buildings, road maintenance and CalPERS liabilities. Based on current inflation amounts, the Board should anticipate that most, if not all, of the estimated costs for capital replacement, deferred maintenance and road maintenance will see substantial increases. In addition, day-to-day operational cost increases, such as fuel costs, may have a higher than anticipated impact on the budgets of individual departments.

Similar to a question posed by the Legislative Analyst's Office to the Governor: Are the County's existing reserves enough to cover the budget problems we estimate are likely within the timeframe of its forecast horizon? While no one knows for sure, due to rising inflation and

associated economic uncertainty, the most prudent approach is for the Board to maintain these reserves and contingency amounts, and not authorize any additional spending at this time. By doing so, the Board will maintain flexibility in order to ensure we can continue to provide essential, but non-mandated, services to our community in an extremely competitive labor market and in the event of a recession or further inflationary increases.

We will return to your Board in September for the formal adoption of the Budget, following the close of the FY 2021-22 financial records.

I would like to express my sincere appreciation to your executive leadership team of Department Heads and their staffs, as well as the Board's ad-hoc budget committee, for their support and participation through this process. In addition, the professionalism, patience and commitment all of your employees have to serve our community through these unprecedented times of local emergencies, staffing challenges and increasing demands should be commended.

Sincerely,



Donald Ashton, MPA
Chief Administrative Officer